

INTERNATIONAL GLOBAL TELE-SYSTEMS LIMITED
5TH FLOOR, BARKLY WHARF, LE CAUDAN WATERFRONT, PORT LOUIS, MAURITIUS

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**COMMENTARY OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their commentary together with the financial statements of **INTERNATIONAL GLOBAL TELE-SYSTEMS LIMITED** (the "Company") for the year ended on 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to provide telecommunication network services and trading in telecommunication products.

RESULTS

The results for the period are shown in the statement of profit or loss and other comprehensive income.

DIRECTORS

The director remained in office for the period under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have the following responsibilities in the preparation of financial statements of the Company:

- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent; and
- To state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

GOING CONCERN

The Company has a negative net worth of USD 130,474,353 as at 31 December 2020. The Company's activities have been curtailed significantly during the current period due to the adverse economic situation prevailing in the telecommunication sector and pending litigations of the Company have made it difficult to conduct any business in the Company. These factors indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the undertaking of its parent company. However, the parent company is unable to provide continuing technical and financial support to enable the Company to meet its liabilities as and when they fall due. The accounts have been prepared on the basis of net realizable value of the assets and liabilities.

BANK CONFIRMATIONS

The Company is unable to obtain balance confirmation for loans outstanding from any bank. Hence, the balances with interest accrual for the current period are carried forward based on estimates.

For **International Global Tele-Systems Limited**



Director

ACCXPERS MANAGEMENT CONSULTANCY PTE. LTD.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTERNATIONAL GLOBAL TELE-SYSTEMS LIMITED

We have carried out a special purpose audit on the accompanying financial statements of INTERNATIONAL GLOBAL TELE-SYSTEMS LIMITED (the "Company"), which comprise of the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows. This special purpose audit is solely for the purpose of presenting these statements to the shareholder of the Company based on the scope provided by the Management and not for use by any third-party or Government authorities.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material mis-statements, whether due to fraud or error. They are also responsible for keeping proper accounting records and selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The directors also need to maintain a system of internal controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with management requirements as this is a special audit for the purpose of consolidation of accounts of this subsidiary with the parent company. We comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. Reasonable assurance is a high-level assurance, but it is not a guarantee that an audit conducted will always detect a material misstatement when it exists.

The auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

ACCXPPTS MANAGEMENT CONSULTANCY PTE. LTD.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTERNATIONAL GLOBAL TELE-SYSTEMS LIMITED

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Basis for Emphasis of Matter

Loan and Credit Facilities Balances

Our audit of the Loan and Credit Facilities presented in these financial statements was limited due to not being able to obtain the balance confirmation from the banks. Hence, we were unable to verify the balances. Also, any information which may have been reflected in the bank confirmations have not been disclosed in the financial statements.

Going Concern

The company incurred a net loss of US\$ 4,063,435 for the financial year from 1st January 2020 to 31st December 2020 and did not generate any income from operations during current financial period and for previous years as well. The company is dependent on its parent company for continued financial support, which is not forthcoming since the previous financial year. The Management is of the view that there is a significant doubt over the Company's ability to continue as a going concern. The financial statements have been presented at the net realisable values of the current assets and liabilities.

Emphasis of Matter

We have conducted special purpose audit of the financial statements of the Company which comprise of the financial position of the Company, statement of comprehensive income, statement of changes in equity and statement of cash flows including a summary of the significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Emphasis of Matter* section of our report, the accompanying statements are properly drawn up in accordance with the provisions of the Companies Act so as to give a realistic view of the financial position of the Company, statement of comprehensive income, statement of changes of equity and statement of cash flows for the year ended on 31 December 2020.

ACCXPERS MANAGEMENT CONSULTANCY PTE. LTD.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTERNATIONAL GLOBAL TELE-SYSTEMS LIMITED

Other information

Management is responsible for the other information. The other information comprises the Directors' Statement and Corporate Data but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matters

This report is made solely for the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in our auditors' report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

In forming our opinion, we report as follows:

- We have no relationship with, or any interest in, the Company other than in our capacity as auditors
- The Company has provided the data/information/explanations

Accxperts Management Consultancy Pte Ltd
Chartered Accountants

Date:
Singapore



International Global TeleSystems Limited

Statement of Financial Position As at 31st Dec 2020

Particulars	Note	As at 31st Dec 2020 US\$	As at 31st Dec 2019 US\$
Non-Current Assets			
Other non-current assets		-	-
		<u>-</u>	<u>-</u>
Current Assets			
Advances	5	366,800	366,800
		<u>366,800</u>	<u>366,800</u>
TOTAL ASSETS		<u>366,800</u>	<u>366,800</u>
Capital and Reserves			
Issued Capital	6	71,762,615	71,762,615
Revenue Reserves		<u>(202,236,968)</u>	<u>(198,173,533)</u>
		<u>(130,474,353)</u>	<u>(126,410,918)</u>
Non-Current Liabilities			
		-	-
Current Liabilities			
Trade and other payables	7	82,148	72,148
Bank credit facilities	8a	25,940,050	25,940,050
Bank Loans	8b	20,968,775	20,968,775
Interest accrued	9	49,655,440	45,602,005
Due to related companies	10	34,194,740	34,194,740
		<u>130,841,153</u>	<u>126,777,718</u>
TOTAL EQUITY AND LIABILITIES		<u>366,800</u>	<u>366,800</u>

International Global TeleSystems Limited

**Statement of Comprehensive Income
For the period 1st Jan to 31st Dec 2020**

Particulars	01.01.2020 to 31.12.2020 US\$	01.01.2019 to 31.12.2019 US\$
Revenue	-	-
Cost of Goods Sold and Services:	-	-
Gross Profit	<hr/>	<hr/>
General Administration expenses	10,000	30,322
Provision for loss on impairment of asset	-	-
Finance Cost	4,053,435	7,129,654
Loss for the quarter	<hr/> (4,063,435) <hr/>	<hr/> (7,159,976) <hr/>
Other comprehensive income, net of tax	-	-
Total comprehensive loss for the quarter	<hr/> (4,063,435) <hr/>	<hr/> (7,159,976) <hr/>

International Global TeleSystems Limited

**Statement of changes in equity
For the year ended 31st December 2020**

	Share Capital USD	Retained Earnings USD	Total USD
As at 1st January 2019	71,762,615	(191,013,557)	(119,250,942)
Total comprehensive income for the period	-	(7,159,976)	(7,159,976)
As at 31st Dec 2019	<u>71,762,615</u>	<u>(198,173,533)</u>	<u>(126,410,918)</u>
Total comprehensive income for 2020		(4,063,435)	(4,063,435)
As at 31st Dec 2020	<u>71,762,615</u>	<u>(202,236,968)</u>	<u>(130,474,353)</u>

INTERNATIONAL GLOBAL TELE-SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

The Company was incorporated in Mauritius on 10 July 1995 as a private company with limited liability. The Company held a Category 1 Global Business License and after conversion of the status on 16 February 2010, it now holds in Category 2 Global Business License issued by the Financial Services Commission. The Company's registered office is at 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius.

The principal activities of the Company are to provide telecommunication network services and also the trading of telecommunication products.

The financial statements of the Company are expressed in the United States dollar ("USD"). The Company's functional currency is the USD, the currency of the primary economic environment in which it operates.

2. Basis of preparation of financial statements

(i) *Statement of compliance*

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), which comprise of standard and interpretations approved by the International Accounting Standards Boards (IASB), and International Accounting Standards and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) approved by the International Accounting Standards Committee (IASC) that remain in effect. The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that could affect the reported amounts and disclosures in the financial statements. Actual result may differ from those estimates.

(ii) *Basis of preparation*

In the last few years, the Company has incurred huge cash losses, resulting in the erosion of its entire net worth. The Company's liabilities are higher than its assets.

The Company has made a proposal for negotiated settlement of its debts which has been rejected by its lenders. The matter is sub-judice in the court for settlement of the debts.

(iii) *Basis of accounting*

There are no statutory requirements for the Company to have an audit carried out on its financial statements. The financial statements have been prepared solely for the purpose of consolidation by the holding company.

(iv) *Changes in accounting policies*

Adoption of new and revised International Financial Reporting Standards (IFRS)

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting year beginning on or after 1 January 2020.

3. Summary of accounting policies

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) *Revenue recognition*

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company and the revenue and costs, if applicable, can be measured reliably. Revenue is recognized in the statement of comprehensive income as follows:

Revenue is recognized when the services are rendered to the customers which are taken to be the point in time when the customer has accepted the service and the related risks and reward of ownership. Revenue excludes goods and service or other sales taxes and is after deduction of any trade discounts and sales tax.

Dividend income is recognized when the right to receive the payment is established.

Interest income is accounted for on an accrual basis.

(b) *Expenses recognition*

All expenses of the Company are accounted for in the profit or loss on an accrual basis.

(c) *Foreign currency transaction*

(i) *Functional and presentation currency*

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in USD, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the financial currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transaction and for the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit or loss within 'other (losses)/gains net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in other comprehensive income, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in other comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in equity under 'Translation reserve'.

(d) *Financial instruments*

Financial instruments are recognized based on net realizable value.

(e) *Inventories*

Inventories are valued at cost. Cost includes freight and handling charges and is computed on a first in first out basis. Provision has been made fully as entire inventory is obsolete, slow moving and defective.

(f) Trade and other receivables

Trade and other receivables are stated at the principal amount outstanding, net of any allowance of uncollectable amount.

(g) Related parties

Related parties are individuals and companies where the individuals or companies have the ability, directly or indirectly to control the other party or exercise significant influence over the other party in making financial or operating decisions.

(h) Cash and cash equivalents

Cash comprise of cash at banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

(i) Equity

Stated capital is determined using the nominal values of shares that have been disclosed in the profit or loss.

(j) Trade and other payables

Trade payables are obligations to pay for services that have been required in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business (if longer)). If not, they are presented as non-current liabilities.

Trade payables are recognized at the invoiced amount of goods and services received by the company.

(k) Borrowings

Borrowings have been stated at net amount received and include all borrowing costs.

4. Critical accounting estimates and judgments

The following are the management judgments made in applying the accounting policies of the Company that have the most significant effects on the financial statements.

(i) *Determination of functional currency*

The determination of financial currency of the Company is critical since recording of transactions and exchange differences arising there are dependent on the functional currency selected. As described in note 3c, the directors have considered those factors therein and have determined that the functional currency of the Company is the United States dollar (USD)

(ii) *Relevance of the going concern*

The Company's activities have been curtailed significantly during the current period due to the adverse economic situation prevailing in the telecommunication sector coupled with the inability of the Parent Company to provide Technical and Financial support and pending certain litigations of the Company. The Company is not in a position to operate its business. These factors indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The accounts have been prepared on the basis of net realizable value of the assets and liabilities.

(iii) *Inventories*

Over the years, due to changes in technology, obsolescence and based on its expected realizable value, the Company has fully provided for diminution in value of inventory.

5. Advance paid

The Company has paid an advance of USD 366,800 in the year 2016 to Bank of Baroda by depositing into the escrow account and made a request for proposal of negotiated settlement of its debts due to the bank.

6. Share capital

	2020 USD	2019 USD
<i>Issued and fully paid</i>		
2,762,615 ordinary shares of USD 1 each	27,62,615	27,62,615
Cumulative Redeemable Preference shares (69,000,000 of USD 1 each)	<u>69,000,000</u>	<u>69,000,000</u>
	<u>71,762,615</u>	<u>71,762,615</u>

7. Trade and other payables

	2020	2019
	USD	USD
Trade and other payables	<u>82,148</u>	<u>72,148</u>
	82,148	72,148

8. Borrowings

(a) Bank credit facilities:

This represents credit facilities amounting to USD 25,940,050 availed by the Company from State Bank of India, Mauritius. The matter is sub-judice in the court.

(b) Bank Loan:

This represents bank loan amounting to USD 20,968,775 from Bank of Baroda, Dubai. The loan is partly secured by Corporate Guarantee from the holding Company GTL Limited. The loan and interest thereon is already overdue and hence classified under Current Liabilities in the Statement of Financial Position.

The Company has requested both the banks, Bank of Baroda, Dubai and State Bank of India in Mauritius for confirmation of balances of the loan and facilities along with interest due on them as on 31 December 2020. However, neither of the banks have provided the confirmation of the balances.

In view of the facts of the case and considering the matters are sub-judice, the Company has limited options available to obtain balance confirmation letters from the bank.

9. Interest Accrued

	2020	2019
	USD	USD
Interest Payable to Banks	<u>49,655,440</u>	<u>45,602,005</u>
	49,655,440	45,602,005

10. Amount due to related companies

	2019	2018
	USD	USD
Amount due to related companies	<u>34,194,740</u>	<u>34,194,740</u>
	34,194,740	34,194,740

The amounts due to related companies are unsecured, interest free and are payable upon demand.

11. Financial instruments

Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including;

- Credit risk;
- Interest rate risk;
- Liquidity risk; and
- Currency risk

A description of the significant risk factors is given together with the risk management policies applicable.

(i) *Credit risk*

The credit risk is primarily attributable to its receivables. There has been no activity during the year. There are no outstanding receivables as at the end of last year.

(ii) *Interest rate risk*

The Company borrows at fixed interest rates. The fluctuations in the rates would not have any material impact on its financial position and cash flows. Interest rate risks arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company's income and operating cash flows are substantially dependent on changes in interest rates.

The table below analyses the Company's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is earlier. The floating rate column represents the financial assets and liabilities which have floating rate of interest that do not reprice at set date, but rather reprice whenever the underlying interest rate index changes.

31 December, 2020	Floating	Within 1 Year	After more than1 year
	USD	USD	USD
Financial Assets:			
Advances	-	366,800	-
Advances on projects	-	-	-
		366,800	-
Financial Liabilities:			
Borrowings	-	20,968,775	-
Bank credit facilities	-	25,940,050	-
Interest accrued on borrowings	-	49,655,440	-
Amount due to related companies	-	34,194,740	-
	-	130,759,005	-
31 December, 2019	Floating	Within 1 Year	After more than1 year
	USD	USD	USD
Financial Assets:			
Advances	-	366,800	-
Advances on projects	-	-	-
		366,800	-
Financial Liabilities:			
Borrowings	-	20,968,775	-
Bank credit facilities	-	25,940,050	-
Interest accrued on borrowings	-	45,602,005	-
Amount due to related companies	-	34,194,740	-
	-	126,705,570	-

(iii) *Liquidity risk*

The Company has contractual maturities within 1 year as at 31 December 2020 which is shown as current liabilities in the statement of financial position amounting to USD 130,841,153 (December 2019: USD 126,777,718).

However, the Company does not have enough liquid resources to service its payables in the immediate future.

(iv) *Currency risk*

The Company trade only in its functional currency that is, in USD and is not exposed to currency risk.

12. Administrative and general expenses

	<u>2020</u> <u>USD</u>	<u>2019</u> <u>USD</u>
Professional fee	<u>10,000</u>	<u>30,322</u>
	<u>10,000</u>	<u>30,322</u>

13. Finance costs

	<u>2020</u> <u>USD</u>	<u>2019</u> <u>USD</u>
Interest on loan	<u>4,053,435</u>	<u>7,129,654</u>
	<u>4,053,435</u>	<u>7,129,654</u>

The Company did not receive any debit advice for the interest amount or bank confirmation from the banks. Hence, the Company has reasonably estimated the interest cost.

14. Related party transactions

During the year ended 31 December 2020, the Company did not transact with related companies, but the balances brought forward from previous year is as follows:

Name of related company	Nature of transaction	2020 (USD)	Movement during the year	2019 (USD)	Receivable (R) / Payable (P)
GTL Limited	Loan	34,194,740	NIL	34,194,740	P

15. Holding and ultimate holding company

The Company is a wholly owned subsidiary of GTL Limited, a company incorporated in India and listed in the Bombay Stock Exchange. The directors report GTL Limited as the immediate and ultimate holding company.

16. Events after the reporting period

There have been no material events after the reporting date which would require disclosure or adjustment to the financial statement for the year ended 31 December 2020.

17. Restatement and reclassification

The comparative figures have been reclassified, regrouped, and restated wherever required.